

# NOTES TO THE ACCOUNTS

## I. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting policies generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of certain investments in securities.

### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation. The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which were not previously charged or recognised in the consolidated profit and loss account. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (c) Goodwill and capital reserve on consolidation

Goodwill on consolidation represents the excess of purchase consideration over the fair value ascribed to the net assets of subsidiaries and associated companies acquired and is taken to reserves in the year of acquisition.

Where the fair values of net assets of subsidiaries and associated companies exceed the purchase consideration, such differences, being discounts on acquisition, are taken to capital reserve in the year of acquisition.

### (d) Jointly controlled entity

A jointly controlled entity is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to their joint control and none of the parties involved has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of a jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entity.

# NOTES TO THE ACCOUNTS *(continued)*

## I. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### (e) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised over its management.

The results of associated companies are taken into account in the consolidated profit and loss account to the extent of post acquisition profits less losses attributable to the Group. The Group's investments in associated companies are included in the consolidated balance sheet with the Group's share of net assets.

In the Company's balance sheet the investments in associated companies are stated at cost less provision, if necessary, for any permanent diminution in value. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

### (f) Properties

#### (i) *Properties under development*

Properties under development which are not due for completion within one year from the balance sheet date are stated at cost less provision for diminution in value or provision for foreseeable losses upon completion of the relevant development projects, if any. Cost of property in the course of development comprises land costs and development costs including attributable interest and other related expenses capitalised during the development period.

#### (ii) *Properties under development for sale*

Properties under development which are due for completion within one year from the balance sheet date and are intended to be held for sale are accounted for as properties under development for sale and are included in current assets. Properties under development for sale comprise land costs and development costs including attributable interest and other related expenses capitalised during the development period and attributable profits taken to-date, less sales deposits and instalments received and receivable and allowances for any foreseeable losses.

When a property under development for sale is sold in advance of completion, profit is recognised over the course of the development and the attributable profits taken to-date are computed each year as a proportion of the total estimated profit to completion; the proportion being the proportion of construction works completed subject to allowance for contingencies. Profits recognised on this basis are restricted to the amount of sales deposits and instalments received.

#### (iii) *Investment property*

Investment property comprises interests in land and buildings in respect of which construction work and development have been completed and which is held for its investment potential, any rental income being negotiated at arm's length. The investment property is held on a lease with an unexpired period of less than 20 years. The investment property is stated at cost and depreciated over the unexpired period of the lease.

## NOTES TO THE ACCOUNTS *(continued)*

### I. PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### (g) Obligations under hire purchase

Contracts that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, are accounted for as hire purchase contracts. At the inception of a hire purchase contract, the cash price of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Interest charges are debited to the profit and loss account in proportion to the capital balances outstanding.

#### (h) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

#### (i) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight-line basis at the following annual rates:

Building	5%
Investment property	over the unexpired period of the lease
Leasehold improvements	over the unexpired period of the lease
Plant and machinery	10–50%
Furniture, fixtures and equipment	10–33.33%
Motor vehicles	25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

#### (j) Stocks and contracting work-in-progress

Stocks are valued at the lower of cost and net realisable value.

Contracting work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises direct materials, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

## NOTES TO THE ACCOUNTS *(continued)*

### I. PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### **(k) Deferred income**

Profits in respect of incomplete contracts are calculated in accordance with the stage of completion. Profits calculated in this manner are transferred from gross profit to deferred income on the balance sheet and a portion is released to the profit and loss account in accordance with the stage of completion of the contracts after projects are more than 40% complete.

#### **(l) Deferred taxation**

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected to be payable or receivable in the foreseeable future.

#### **(m) Investments**

##### *(i) Short term investments*

Short term investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of short term investments are recognised in the profit and loss account. Profits or losses on disposal of short term investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

##### *(ii) Other investments*

Other investments represent unlisted investments held for long term and are stated at cost less provision for permanent diminution in value, if any.

#### **(n) Foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries, associated companies and jointly controlled entity expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

#### **(o) Related companies**

A related company is a company in which a director or a major shareholder of the company has a significant direct or indirect beneficial interest.

## NOTES TO THE ACCOUNTS *(continued)*

### I. PRINCIPAL ACCOUNTING POLICIES *(continued)*

#### **(p) Retirement benefits**

The Group contributes to three defined contribution retirement schemes, namely Hsin Chong Group Retirement Fund Scheme ("RFS"), Hsin Chong Group Provident Fund Scheme ("PFS") and Hsin Chong Group Mandatory Provident Fund Scheme ("MPF"). In December 2000, PFS was terminated and all relevant assets of which was transferred to MPF with employees' concurrence. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to RFS, PFS and MPF are based on rates ranging from 5% to 10% of employees' salaries depending on length of service and are expensed as incurred in the profit and loss account. The Contributions to RFS and PFS are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Such forfeited amounts are retained in the funds for the benefit of other employees. However, the Group reserves the right to offset contributions to PFS forfeited by those employees who joined the Group on or after 1st April, 1998 and left the scheme prior to vesting fully in the contributions.

#### **(q) Revenue recognition**

Revenue from contracting work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to the gross billing value of contracting work to date as compared to the total contract sum receivable under the contracts.

Income from sale of stock of properties is recognised on completion of the sale and purchase agreements.

Income from sale of properties in advance of completion is recognised based on the proportion of construction works completed with allowance for contingencies. Profits from sale of properties under development is recognised as set out in note (f) (ii) above.

Interest and dividend income are recognised on an accrual basis. Rental income is recognised on a straight line basis over the lease term. Revenue from sales of other goods is recognised upon delivery of goods to customers.

#### **(r) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. The capitalisation rate for the year is based on the cost of the related borrowings. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

#### **(s) Interest rate hedging**

Any differential interest receipts and payments, arising from interest rate swap agreements are accrued so as to match the net income or cost of such agreement with the related finance expense. No amounts are recognised in respect of future accounting periods.

## NOTES TO THE ACCOUNTS *(continued)*

### 2. TURNOVER

The Group is principally engaged in building construction, civil engineering, piling and foundations, renovation and fitting-out, building repair and maintenance, construction management, property investment, property rental, property development, contractor finance and undertaking projects on a "Build, Operate and Transfer" basis.

Turnover represents gross billing value of contracting work to third parties and related companies, proceeds on sales of properties, rental income, rental related income and revenue from sales of other goods as follows:

	2001 HK\$'000	2000 HK\$'000
Contract revenue	3,081,211	2,850,291
Properties development	2,339	4,805
Rental income		
— investment property	17,097	24,611
— other property	2,900	2,590
Rental related income	6,044	6,502
Sales of goods	—	13,724
	<b>3,109,591</b>	<b>2,902,523</b>

### 3. OTHER INCOME

	2001 HK\$'000	2000 HK\$'000
Other income represented:		
Plant and plant staff hire income	4,063	9,836
Gain on disposal of short term investments	983	15,565
Gain on disposal of fixed assets	2,278	1,450
Unrealised gain on short term investments	1,320	4,149
Interest income		
— unlisted investments	322	491
— bank deposits	42,634	35,168
Dividend income from listed investments	—	140
Dividend income from unlisted investments	—	100
Service centre charges received from related companies	9,422	8,580
Miscellaneous	3,655	13,458
	<b>64,677</b>	<b>88,937</b>

## NOTES TO THE ACCOUNTS *(continued)*

### 4. OPERATING PROFIT

Operating profit is stated after charging the following:

	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration		
— charge for the year	1,440	1,258
— under/(over) provision for previous year	30	(96)
Cost of properties sold	—	4,211
Cost of stocks sold	—	10,247
Depreciation		
— investment property	11,197	11,197
— building on long term leasehold land	7,967	8,433
— owned fixed assets	51,563	53,849
Legal and professional fees	3,374	4,155
Operating lease rentals for land and buildings	3,227	2,806
Outgoings in respect of		
— investment property	5,493	5,761
— other property	4,975	4,572
Provision for diminution in value in other investments	412	1,521
Retirement benefit costs (Note)	12,521	13,015
Staff costs	280,277	282,105
Unrealised losses on short term investments	—	5,126

Note: Retirement benefit costs represent contributions paid by the Company and its subsidiaries to the Hsin Chong Group Retirement Fund Scheme, Hsin Chong Group Provident Fund Scheme and Hsin Chong Group Mandatory Provident Fund. There were no contributions payable to the funds as at 31st March, 2001 (2000: HK\$Nil).

### 5. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank overdraft and loans wholly repayable within five years	17,364	22,156
Interest paid on swap agreements	2,202	3,783
Others	1,057	728
	20,623	26,667

## NOTES TO THE ACCOUNTS *(continued)*

### 6. DIRECTORS' EMOLUMENTS

	2001 HK\$'000	2000 HK\$'000
Fees		
— Executive directors	167	139
— Independent non-executive directors	79	80
Salaries, housing and other allowances, benefits in kind	5,333	6,434
Contributions to retirement scheme	276	300
Bonuses	2,676	5,357
Compensation for loss of office paid by the Company's subsidiary	—	1,437
	<b>8,531</b>	<b>13,747</b>

There was no benefit (2000: HK\$Nil) arising in respect of the surplus of the market value over the issue price of shares issued and allotted under the Executive Share Option Scheme as there was no such share allotment for the year. During the year, a benefit of HK\$35,000 (2000: HK\$60,000) arose on shares issued and allotted to certain directors of the Company under the Employees Share Subscription Scheme.

None of the directors has waived his right to receive emoluments.

The emoluments were paid to the directors as follows:

	Number of directors in each band	
	2001	2000
<b>Emoluments band</b>		
HK\$Nil – HK\$1,000,000	8	7
HK\$1,000,001 – HK\$1,500,000	2	—
HK\$1,500,001 – HK\$2,000,000	—	2
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$2,500,001 – HK\$3,000,000	—	1
HK\$3,000,001 – HK\$3,500,000	—	1
HK\$3,500,001 – HK\$4,000,000	1	—
	<b>12</b>	<b>13</b>



## NOTES TO THE ACCOUNTS *(continued)*

### 7. FIVE HIGHEST PAID EMPLOYEES

There were two (2000: three) directors whose emoluments were among the five highest in the Group and included in the analysis set out in note 6 to the accounts.

Details of the emoluments paid to the other three (2000: two) individuals who are not directors but whose emoluments were among the five highest in the Group are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries, housing and other allowances, benefits in kind	3,554	2,658
Contributions to retirement scheme	245	147
Bonuses	2,867	1,950
	6,666	4,755

Number of individuals in each band	
2001	2000
Emoluments band	
HK\$ Nil – HK\$1,000,000	—
HK\$1,000,001 – HK\$1,500,000	—
HK\$1,500,001 – HK\$2,000,000	—
HK\$2,000,001 – HK\$2,500,000	3
	2

## NOTES TO THE ACCOUNTS *(continued)*

### 8. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the year after application of available tax losses brought forward. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the associated companies operate.

	2001 HK\$'000	2000 HK\$'000
<b>Company and subsidiaries</b>		
Hong Kong profits tax	16,561	48,251
Transfer from deferred taxation ( <i>note 21</i> )	(1,818)	(32,711)
	14,743	15,540
<b>Associated companies</b>		
Hong Kong profits tax	369	593
Overseas taxation	—	(3)
Deferred taxation charge/(credit)	51	(264)
	420	326
	15,163	15,866

The Company and subsidiaries' balance includes the Group's share of the profits tax of a jointly controlled entity which amounts to HK\$214,000 (2000: share of deferred tax of HK\$563,000) as the amount is taxable under the name of a subsidiary.

### 9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$16,546,000 (2000: HK\$33,987,000).

### 10. DIVIDEND

	2001 HK\$'000	2000 HK\$'000
Final dividend proposed: HK2.5 cents (2000: HK2.5 cents) per share	15,868	16,194

## NOTES TO THE ACCOUNTS *(continued)*

### 11. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$25,325,000 (2000: HK\$44,273,000) and the weighted average number of 644,052,000 shares (2000: 670,478,000 shares) in issue during the year.

No diluted earnings per share was presented as there were no dilutive potential ordinary shares outstanding for the year (2000: Nil).

### 12. FIXED ASSETS

#### Group

	Investment property in Hong Kong under medium term lease HK\$'000	Long term leasehold land and buildings in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>Cost</b>							
At 1st April, 2000	223,942	229,129	19,751	360,155	22,587	8,823	864,387
Additions	—	—	1,061	8,310	1,513	192	11,076
Disposals	—	—	(20)	(12,990)	(415)	(446)	(13,871)
At 31st March, 2001	223,942	229,129	20,792	355,475	23,685	8,569	861,592
<b>Accumulated depreciation</b>							
At 1st April, 2000	64,878	8,433	3,642	212,925	13,779	6,668	310,325
Charge for the year	11,197	7,967	3,572	43,008	3,810	1,173	70,727
Disposals	—	—	(20)	(12,419)	(201)	(446)	(13,086)
At 31st March, 2001	76,075	16,400	7,194	243,514	17,388	7,395	367,966
<b>Net book value</b>							
At 31st March, 2001	147,867	212,729	13,598	111,961	6,297	1,174	493,626
At 31st March, 2000	159,064	220,696	16,109	147,230	8,808	2,155	554,062

Land and buildings with a net book value of HK\$212,729,000 (2000: HK\$220,696,000) had been pledged to a bank to secure the related mortgage loan.

## NOTES TO THE ACCOUNTS *(continued)*

### 12. FIXED ASSETS *(continued)*

#### Company

	<b>Leasehold improvements</b> HK\$'000	<b>Furniture, fixtures and equipment</b> HK\$'000	<b>Motor vehicles</b> HK\$'000	<b>Total</b> HK\$'000
<b>Cost</b>				
At 1st April, 2000	7,802	9,109	2,835	19,746
Additions	—	784	40	824
Disposals	—	(270)	—	(270)
At 31st March, 2001	7,802	9,623	2,875	20,300
<b>Accumulated depreciation</b>				
At 1st April, 2000	1,300	3,361	1,238	5,899
Charge for the year	1,300	2,620	782	4,702
Disposals	—	(60)	—	(60)
At 31st March, 2001	2,600	5,921	2,020	10,541
<b>Net book value</b>				
At 31st March, 2001	5,202	3,702	855	9,759
At 31st March, 2000	6,502	5,748	1,597	13,847

### 13. SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	210,468	210,468
Amounts due from subsidiaries	770,769	692,243
Amounts due to subsidiaries	(456,301)	(412,521)
Loans to subsidiaries	—	64,500
Less: Provision for amount due from a subsidiary	(9,979)	(9,979)
	514,957	544,711

## NOTES TO THE ACCOUNTS *(continued)*

### 13. SUBSIDIARIES *(continued)*

Amounts due from / to subsidiaries and loans to subsidiaries are unsecured, non interest bearing and have no fixed terms of repayment, except for an amount due from a subsidiary of HK\$181,212,000 (2000: HK\$177,730,000) which bears interest at Hong Kong prime rate per annum.

Details of principal subsidiaries which, in the opinion of the directors, principally affected the results and assets of the Group, are set out in note 31 to the accounts.

### 14. ASSOCIATED COMPANIES

Share of net assets before share of provision  
Share of provision for diminution in value and foreseeable losses on  
fixed assets and properties under development  
Amounts due from associated companies  
Loans to associated companies

Unlisted shares, at cost

Group	
2001 HK\$'000	2000 HK\$'000
36,855	45,758
(80,729)	(85,729)
2,055	2,327
172,457	169,077
130,638	131,433
32,748	35,748

Amounts due from associated companies

Company	
2001 HK\$'000	2000 HK\$'000
341	424

The loans to and amounts due from associated companies are unsecured, non interest bearing and repayable on demand.

Dividends received from associated companies during the year amounted to HK\$4,754,000 (2000: HK\$3,931,000).

Details of principal associated companies which, in the opinion of the directors, principally affected the results and assets of the Group, are set out in note 31 to the accounts.

## NOTES TO THE ACCOUNTS *(continued)*

### 15. JOINTLY CONTROLLED ENTITY

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	1,540	3,273
Loan from a jointly controlled entity	—	(3,212)
	1,540	61

Name	Place of incorporation and operation	Principal activity	Effective percentage of interest held	Proportion of voting power
Hsin Chong Construction Company Limited & Taylor Woodrow International Limited Joint Venture for Kowloon Station	Unincorporated joint venture operating in Hong Kong	Construction management	60%	50%

Pursuant to the terms of the joint venture agreement, 50% of the profits for each year of the jointly controlled entity or any other sum that may be agreed by the supervisory board of the jointly controlled entity shall be distributed to the joint parties in proportion to their respective interests.

Dividend received from the jointly controlled entity during the year amounted to HK\$3,211,000 (2000: HK\$22,662,000). The Group's share of profits retained at year end by the jointly controlled entity amounted to HK\$1,540,000 (2000: HK\$3,273,000).

The loan from the jointly controlled entity during the year is unsecured, non interest bearing and has no fixed terms of repayment.

## NOTES TO THE ACCOUNTS *(continued)*

### 16. INVESTMENTS

#### Group

	Other investments		Short term investments		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Equity securities</b>						
Listed in Hong Kong, at fair value	—	—	242	4,809	242	4,809
Unlisted overseas, at fair value	—	—	31,504	—	31,504	—
Unlisted, at cost	8,558	8,745	—	—	8,558	8,745
Less: Provision	(2,760)	(2,348)	—	—	(2,760)	(2,348)
	5,798	6,397	31,746	4,809	37,544	11,206
<b>Debt securities</b>						
Listed overseas, at fair value	—	—	7,750	7,324	7,750	7,324
Unlisted, at fair value	—	—	—	7,440	—	7,440
	—	—	7,750	14,764	7,750	14,764
Total	5,798	6,397	39,496	19,573	45,294	25,970

Analysis of carrying amount for reporting purposes is as follows:

Current	—	—	39,496	19,573	39,496	19,573
Non-current	5,798	6,397	—	—	5,798	6,397
	5,798	6,397	39,496	19,573	45,294	25,970

### 17. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001	2000
	HK\$'000	HK\$'000
Properties under development, at cost	168,690	151,009
Less: Provision for diminution in value and foreseeable losses		
— at beginning of the year	(65,250)	(56,675)
— for the year	(26,750)	(8,575)
	76,690	85,759

## NOTES TO THE ACCOUNTS *(continued)*

### 17. PROPERTIES UNDER DEVELOPMENT *(continued)*

Properties under development include a project undertaken by a subsidiary which plans to construct and manage service apartments on a site of approximately 471 sq.m. in Ho Chi Minh City, Socialist Republic of Vietnam ("Vietnam"). The subsidiary was established in the form of a joint venture company under the laws of Vietnam with a duration for operations of 30 years from 2nd March 1994. Another project relates to a subsidiary which purchased a site at Taifeng Industrial Park located in the Tianjin Economic and Technological Development Area, Tianjin, the People's Republic of China ("China"). The proposed development consists of 10 blocks of factory buildings and two residential blocks on a site area of approximately 53,412 sq.m. The subsidiary was established in the form of a joint venture company under the laws of China with a period for operations of 50 years from 14th July, 1995. The third project is undertaken by a subsidiary of the Group to develop, construct, sell residential units and shops on a site of approximately 18,215 sq.m. at Wen Chang Square located in Li Wan District, Guangzhou, China. The subsidiary was also established in the form of a joint venture company under the laws of China with a period of operations of ten years from 14th December, 1995.

There had not been any significant development over the years for the first and second projects while the third project is on going despite some delay from original schedule.

In the opinion of the directors, provisions were made for diminution in value and foreseeable losses on properties under development upon their completion.

### 18. STOCKS AND CONTRACTING WORK-IN-PROGRESS

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Cost plus attributable profit less foreseeable losses	<b>3,415,796</b>	3,129,493
Less: Progress payments received and receivable	<b>(3,176,718)</b>	(2,910,702)
Contracting work-in-progress <i>(Note)</i>	<b>239,078</b>	218,791
Raw materials, at cost	<b>9,371</b>	9,540
Stocks of properties, at cost	<b>55,733</b>	55,733
Stocks	<b>65,104</b>	65,273
	<b>304,182</b>	284,064
<i>Note:</i>		
Representing gross amounts due from customers for contract work	<b>239,078</b>	218,791

As at 31st March, 2001, retentions held by customers for contracting works amounted to HK\$140,763,000 (2000: HK\$111,879,000).



## NOTES TO THE ACCOUNTS *(continued)*

### 19. RECEIVABLES AND PREPAYMENTS

Included in receivables and prepayments are trade debtors and their ageing analysis is as follows:

	Not yet due HK\$'000	1 to 30 days HK\$'000	31 to 90 days HK\$'000	91 to 180 days HK\$'000	Over 180 days HK\$'000	Total HK\$'000
<b>Balance at 31st March, 2001</b>	<b>147,394</b>	<b>9,202</b>	<b>11,584</b>	<b>23,716</b>	<b>45,840</b>	<b>237,736</b>
Balance at 31st March, 2000	248,417	5,302	9,959	2,943	32,336	298,957

Interim application for progress payments in construction contracts are normally on a monthly basis and settled within one month with retention monies withheld but released on the issuance of relevant maintenance certificates. Rental income is billed in advance of rental period.

### 20. RESTRICTED BANK BALANCES

Restricted bank balances are funds which have been pledged to banks for granting banking facilities to a subsidiary.

### 21. DEFERRED TAXATION

	<b>Group</b>	
	<b>2001 HK\$'000</b>	2000 HK\$'000
At beginning of year	<b>11,526</b>	44,237
Transfer to profit and loss account (note 8)	<b>(1,818)</b>	(32,711)
At end of year	<b>9,708</b>	11,526
Provided in the accounts in respect of:		
Accelerated depreciation allowances	<b>3,369</b>	7,143
Profits on incomplete contracts	<b>6,339</b>	4,383
	<b>9,708</b>	11,526
Not provided in the accounts in respect of:		
Tax losses	<b>93,431</b>	5,528

Potential deferred tax assets have not been recognised in the accounts due to uncertainty as to utilisation of tax losses to offset future profit.

## NOTES TO THE ACCOUNTS *(continued)*

### 22. LONG TERM BANK LOANS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans, wholly payable within five years				
— secured	182,611	235,370	—	15,000
— unsecured	60,000	30,000	—	—
	242,611	265,370	—	15,000
Amounts due within one year included under current liabilities	(14,280)	(211,780)	—	(15,000)
	228,331	53,590	—	—

The repayment schedule of long term bank loans is as follows:

Bank loans				
— within one year	14,280	211,780	—	15,000
— in the second year	44,280	14,280	—	—
— in the third to fifth years inclusive	184,051	39,310	—	—
	242,611	265,370	—	15,000

### 23. CREDITORS AND ACCRUALS

Included in creditors and accruals are trade payables and their ageing analysis is as follows:

	Not yet due HK\$'000	1 to 30 days HK\$'000	31 to 90 days HK\$'000	91 to 180 days HK\$'000	Over 180 days HK\$'000	Total HK\$'000
Balance at 31st March, 2001	858,078	2,876	4,103	3,823	153	869,033
Balance at 31st March, 2000	916,125	8,515	4,660	549	97	929,946

## NOTES TO THE ACCOUNTS *(continued)*

### 24. SHARE CAPITAL

	2001 HK\$'000	2000 HK\$'000
Authorised: 1,000,000,000 (2000: 1,000,000,000) shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 637,198,827 (2000: 660,677,296) shares of HK\$0.10 each	63,720	66,068

The movements of the issued share capital of the Company are summarised below:

	2001 No of shares	2000 No of shares	2001 HK\$'000	2000 HK\$'000
At beginning of year	660,677,296	672,509,441	66,068	67,251
Employee Share Subscription Scheme	1,999,787	2,183,855	200	219
Shares repurchased	(25,478,256)	(14,016,000)	(2,548)	(1,402)
At end of year	637,198,827	660,677,296	63,720	66,068

During the year, 1,999,787 new shares of HK\$0.10 each in the Company were issued pursuant to the Employee Share Subscription Scheme ("Subscription Scheme") with a price range of HK\$0.43 to HK\$0.46 for cash at an aggregate amount of HK\$879,036. As at 31st March, 2001, subscription monies amounting to HK\$186,930 have been received from qualifying employees who have accepted offers to subscribe for shares of the Company under the Subscription Scheme in respect of the current operating period (1st January, 2001 to 30th June, 2001). Under this Subscription Scheme, the subscription price and the number of shares to be allotted were determined on the expiration of the operating period in accordance with the terms of the Subscription Scheme.

During the year, three option holders under Executive Share Option Scheme left the Company and accordingly, their options to subscribe for an aggregate number of 808,000 shares in the Company lapsed and determined. No option holders exercised their options to subscribe for shares of HK\$0.10 each in the Company during the financial year. The option holders are entitled to exercise their options at a price of HK\$0.80 per share. At 31st March, 2001, 11,088,000 (2000: 11,896,000) options exercisable before 24th September, 2009 were outstanding.

No options to subscribe for shares in the Company have been granted pursuant to the Executive Share Option Scheme for the year ended 31st March, 2001.

## NOTES TO THE ACCOUNTS *(continued)*

### 24. SHARE CAPITAL *(continued)*

During the year, the Company repurchased and cancelled its own shares on The Stock Exchange of Hong Kong Limited at prices as follows:

Month of repurchase	No. of ordinary shares of HK\$0.1 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2000	7,062,000	0.570	0.500	3,820
May 2000	5,004,000	0.550	0.500	2,667
June 2000	864,000	0.530	0.500	447
July 2000	1,124,000	0.530	0.490	573
August 2000	6,486,256	0.500	0.490	3,217
September 2000	1,148,000	0.500	0.470	553
October 2000	752,000	0.485	0.450	344
December 2000	380,000	0.470	0.450	174
January 2001	372,000	0.470	0.460	173
February 2001	10,000	0.470	—	5
March 2001	2,276,000	0.470	0.460	1,053
	<b>25,478,256</b>			<b>13,026</b>

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the financial year.

## NOTES TO THE ACCOUNTS *(continued)*

### 25. RESERVES

	Exchange reserve	Share premium	Capital redemption reserve	Capital reserve	Contributed surplus	General reserve	Retained profit	Total
	HK\$'000 (Note i)	HK\$'000	HK\$'000 (Note ii)	HK\$'000 (Note iii)	HK\$'000 (Note iv)	HK\$'000 (Note v)	HK\$'000	HK\$'000
<b>Group</b>								
At 1st April, 1999	254	142,250	—	1	—	121,110	341,671	605,286
Premium arising from issue of shares	—	747	—	—	—	—	—	747
Profit retained for the year	—	—	—	—	—	—	28,079	28,079
Share repurchased	—	—	1,402	—	—	—	(7,201)	(5,799)
Exchange translation	30	—	—	—	—	—	—	30
Goodwill written off arising from acquisition of additional interest in subsidiaries	—	—	—	—	—	—	(35)	(35)
At 31st March, 2000	284	142,997	1,402	1	—	121,110	362,514	628,308
Premium arising from issue of shares	—	688	—	—	—	—	—	688
Profit retained for the year	—	—	—	—	—	—	9,457	9,457
Share repurchased	—	—	2,548	—	—	—	(13,077)	(10,529)
Exchange translation	(248)	—	—	—	—	—	—	(248)
At 31st March, 2001	36	143,685	3,950	1	—	121,110	358,894	627,676
Company and subsidiaries	36	143,685	3,950	1	—	121,110	435,712	704,494
Associated companies	—	—	—	—	—	—	(78,358)	(78,358)
Jointly controlled entity	—	—	—	—	—	—	1,540	1,540
At 31st March, 2000	36	143,685	3,950	1	—	121,110	358,894	627,676
At 31st March, 2000	284	142,997	1,402	1	—	121,110	434,960	700,754
Company and subsidiaries	—	—	—	—	—	—	(75,719)	(75,719)
Associated companies	—	—	—	—	—	—	3,273	3,273
Jointly controlled entity	—	—	—	—	—	—	—	—
At 31st March, 2000	284	142,997	1,402	1	—	121,110	362,514	628,308

## NOTES TO THE ACCOUNTS *(continued)*

### 25. RESERVES *(continued)*

	Exchange reserve HK\$'000 (Note i)	Share premium HK\$'000	Capital redemption reserve HK\$'000 (Note ii)	Capital reserve HK\$'000 (Note iii)	Contributed surplus HK\$'000 (Note iv)	General reserve HK\$'000 (Note v)	Retained profit HK\$'000	Total HK\$'000
<b>Company</b>								
At 1st April, 1999	—	140,189	—	—	166,718	111,110	30,240	448,257
Premium arising from issue of shares	—	747	—	—	—	—	—	747
Share repurchased	—	—	1,402	—	—	—	(7,201)	(5,799)
Profit for the year	—	—	—	—	—	—	33,987	33,987
Dividend	—	—	—	—	—	—	(16,194)	(16,194)
At 31st March, 2000	—	140,936	1,402	—	166,718	111,110	40,832	460,998
Premium arising from issue of shares	—	688	—	—	—	—	—	688
Share repurchased	—	—	2,548	—	—	—	(13,077)	(10,529)
Profit for the year	—	—	—	—	—	—	16,546	16,546
Dividend	—	—	—	—	—	—	(15,868)	(15,868)
At 31st March, 2001	—	141,624	3,950	—	166,718	111,110	28,433	451,835

Notes:

- (i) See notes to the accounts 1(n).
- (ii) Reserve created during share repurchased.
- (iii) See notes to the accounts 1(c).
- (iv) The contributed surplus of the Company arose as a result of the Group reorganization in 1991 and represents the excess of the then consolidated net asset value of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange thereof. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of the contributed surplus.
- (v) The Company balance represents reserve created on exercise of scrip option by members of the Company in lieu of cash dividends while the Group balance also includes HK\$10,000,000 (2000: HK\$10,000,000) which was transferred from retained profit for general purpose.
- (vi) Distributable reserves of the Company at 31st March, 2001 amounted to HK\$306,261,000 (2000: HK\$318,660,000).

## NOTES TO THE ACCOUNTS *(continued)*

### 26. CONTINGENT LIABILITIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Guarantees given to banks for facilities granted to				
— associated companies	<b>92,388</b>	94,548	<b>56,388</b>	58,548
— subsidiaries	<b>—</b>	<b>—</b>	<b>841,745</b>	888,515
	<b>92,388</b>	94,548	<b>898,133</b>	947,063

An all money debenture over the assets of the Company has been created in favour of a bank for facilities granted to its subsidiaries.

### 27. RELATED PARTY TRANSACTIONS

- (a) Details of material transactions between certain companies of the Group and its associated companies and related companies are as follows:

	2001 HK\$'000	2000 HK\$'000
(i) Billing of contracts to associated companies	<b>46,797</b>	30,482
(ii) Billing of contracts from an associated company	<b>(8,263)</b>	(1,223)
(iii) Billing of contracts from related companies	<b>(4,065)</b>	(2,601)
(iv) Management fees paid to a related company	<b>(2,400)</b>	(2,400)
(v) Service centre charges received from related companies	<b>9,422</b>	8,580
(vi) Secretarial and accountancy fee received from associated companies	<b>2,450</b>	2,990
(vii) Insurance premiums paid to a related company	<b>(14,043)</b>	(13,589)
(viii) Rental received from related companies	<b>1,679</b>	1,387
(ix) Rental paid to a related company	<b>(1,405)</b>	(998)

*Notes to items:*

- (i) Several subsidiaries provided building construction services to various associated companies as main contractors or subcontractors on terms and prices which were not less favourable than those offered to third parties employers or main contractors and being concluded on arm's length basis.
- (ii) Billing represents mechanical and electrical building services rendered by an associated company to a construction subsidiary in the normal course of businesses on terms and prices negotiated at arm's length.
- (iii) Billing represents estate agency, estate management and project management services rendered to several subsidiaries for investment property, other property and properties under development located in Hong Kong and outside Hong Kong. The terms and price concluded were no less favourable than those obtainable from third parties.

## NOTES TO THE ACCOUNTS *(continued)*

### 27. RELATED PARTY TRANSACTIONS *(continued)*

- (iv) Being management fees paid to a related company for administrative services obtained and allocated overhead incurred by the Group for normal daily operation. The terms and price were negotiated at arm's length.
- (v) Service centre charges received from related companies represents administrative services provided by the Group to and paid on behalf of related companies for office overhead and were reimbursed at cost based on time and expenses allocated to the related companies.
- (vi) Fees are charged to associated companies for secretarial and accountancy services provided by the Group on a fixed monthly sum negotiated at arm's length.
- (vii) Insurance premiums were paid on normal commercial terms to a related insurance company by certain subsidiaries.
- (viii) Rental income represents income on Hsin Chong Centre rented by the Group to related companies as headquarters. The tenancy agreement was concluded at prevailing market rate.
- (ix) Rental charges represents rental paid by a construction subsidiary to a related company for a workshop. The tenancy agreement was concluded at prevailing market rate.

Items (i), (ii), and (vi) are not connected transactions while items (iii), (iv), (v), (vii), (viii) and (ix) are connected transactions as defined under Chapter 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

- (b) Receivables and prepayments of the Group included trade receivable from associated companies of the Group and related companies of HK\$2,938,000 (2000: HK\$9,785,000).

### 28. COMMITMENTS

At 31st March, the outstanding commitments in respect of properties under development were as follows:

	2001 HK\$'000	2000 HK\$'000
<b>Company and subsidiaries</b>		
Contracted but not provided for	32,852	29,216
Authorised but not contracted for	83,799	93,768
	<b>116,651</b>	<b>122,984</b>



## NOTES TO THE ACCOUNTS *(continued)*

### 29. LEASE COMMITMENTS

Operating lease commitments at 31st March payable in the next twelve months, analysed according to the period in which the lease expires, are as follows:

Land and buildings

- expiring in the first year
- expiring in second to fifth years inclusive

2001 HK\$'000	2000 HK\$'000
727	2,191
954	1,380
<b>1,681</b>	<b>3,571</b>

### 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of profit before taxation to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit before taxation	39,198	61,704
Share of net profits less losses of jointly controlled entity and associated companies	(4,013)	(3,159)
Net interest income	(23,390)	(9,720)
Depreciation charges	70,727	73,479
Provision for diminution in value in other investments	412	1,521
Gain on disposal of fixed assets	(2,278)	(1,450)
Loss on disposal of a subsidiary	—	1,840
Loss on liquidation of a subsidiary and associated companies	145	—
Dividend income from listed investments	—	(140)
Dividend income from unlisted investments	—	(100)
Provision for diminution in value and foreseeable losses on properties under development	26,750	8,575
(Increase)/decrease in stocks and contracting work-in-progress	(20,118)	22,249
Decrease/(increase) in receivables and prepayments	84,958	(36,284)
(Increase)/decrease in short term investments	(19,923)	4,800
(Decrease)/increase in creditors and accruals	(73,915)	143,351
Increase in deferred income	5,196	30,131
Exchange translation	9	42
<b>Net cash inflow from operating activities</b>	<b>83,758</b>	<b>296,839</b>

## NOTES TO THE ACCOUNTS *(continued)*

### 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

#### (b) Analysis of changes in financing during the year

	Share capital (including premium) HK\$'000	Minority interests HK\$'000	Bank loans and hire purchase obligations HK\$'000	Pledge of restricted fixed deposits HK\$'000	Total HK\$'000
At 1st April, 1999	209,501	87,478	313,377	—	610,356
Cash outflow from financing	(6,235)	(17,754)	(48,007)	—	(71,996)
Repurchase of shares					
— paid out of retained profit	7,201	—	—	—	7,201
— on cancellation	(1,402)	—	—	—	(1,402)
Share of current year's profit	—	1,565	—	—	1,565
Exchange translation	—	12	—	—	12
Goodwill on acquisition of additional interest in subsidiaries	—	35	—	—	35
Dividends to minority shareholders	—	(662)	—	—	(662)
Disposal of a subsidiary	—	73	—	—	73
At 31st March, 2000	209,065	70,747	265,370	—	545,182
Cash inflow/(outflow) from financing	(12,189)	2,333	(22,759)	(31,230)	(63,845)
Repurchase of shares					
— paid out of retained profit	13,077	—	—	—	13,077
— on cancellation	(2,548)	—	—	—	(2,548)
Share of current year's loss	—	(1,290)	—	—	(1,290)
Dividend to a minority shareholder	—	(1,000)	—	—	(1,000)
At 31st March, 2001	207,405	70,790	242,611	(31,230)	489,576

## NOTES TO THE ACCOUNTS *(continued)*

### 30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

#### (c) Disposal of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of		
Fixed assets	—	72
Stocks and contracting work-in-progress	—	1,821
Receivables and prepayments	—	2,487
Bank balances and cash	—	446
Creditors and accruals	—	(7,475)
Deferred income	—	(353)
Minority interests	—	73
Amounts due to holding companies	—	6,017
	—	3,088
Loss on disposal of a subsidiary	—	(1,840)
Total consideration	—	1,248
Satisfied by		
Cash	—	1,248

#### (d) Analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary

	2001 HK\$'000	2000 HK\$'000
Cash consideration	—	1,248
Less: Bank balances and cash disposed	—	(446)
	—	802

## NOTES TO THE ACCOUNTS *(continued)*

### 31. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

Company	Country of incorporation/ registration/ operation	The Group's effective interest in percentage of ordinary shares held by Company subsidiaries		Issued and paid up capital	Principal activities
Subsidiaries:					
Anber Limited	Hong Kong	—	62.5%	HK\$200	Investment holding
Bioneering Limited	British Virgin Islands	—	100%	US\$1	Investment holding
Cogent Spring Limited	Hong Kong	—	100%	HK\$2	Property investment
Concrete Repairs (H.K.) Limited	Hong Kong	—	100%	HK\$1,000,000	Concrete repairs
Deventer Limited	Hong Kong	—	100%	HK\$10	Property holding
Easeway Engineering Limited	Hong Kong	—	62.5%	HK\$10,000	Investment holding
Easeway Thaison Co. Limited	Socialist Republic of Vietnam	—	43.75%	US\$2,000,000	Property development
Glenwell Orient Limited	Hong Kong	—	70%	HK\$100	Investment holding
Glister Spring Limited	Hong Kong	—	66.66%	HK\$300	Investment holding
<sup>#</sup> Guangzhou Fengyu Real Estate Co. Limited	People's Republic of China	—	42%	HK\$80,000,000	Real estate development
<sup>#</sup> Guangzhou Free Trade Zone Dongjing Property Co. Limited	People's Republic of China	—	70%	HK\$11,090,000	Real estate investment
<sup>#</sup> Hebei An Neng Hsin Chong Construction Company Limited	People's Republic of China	—	70%	—	Building construction

## NOTES TO THE ACCOUNTS *(continued)*

### 31. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES *(continued)*

Company	Country of incorporation/ registration/ operation	The Group's effective interest in percentage of ordinary shares held by Company subsidiaries		Issued and paid up capital	Principal activities
Subsidiaries: (continued)					
Hsin Chong Civil Engineering Company Limited	Hong Kong	—	100%	HK\$2	Civil engineering
Hsin Chong Construction Company Limited	Hong Kong	—	100%	HK\$20,000,000* HK\$2,000	Building construction and civil engineering
Hsin Chong Construction (Asia) Limited	Hong Kong	—	100%	HK\$10,000,000* HK\$2,000	Building construction and civil engineering
Hsin Chong Construction (BVI) Ltd.	British Virgin Islands	100%	—	HK\$150,000	Investment holding
# Hsin Chong Construction (Tianjin) Limited	People's Republic of China	—	95%	US\$3,000,000	Real estate development
Hsin Chong Construction Management Services Limited	Hong Kong	—	100%	HK\$1,000,000	Construction management services
Hsin Chong (Corporate Services) Limited	Hong Kong	—	100%	HK\$2	Corporate services
Hsin Chong Development (China) Limited	Hong Kong	—	100%	HK\$10,000	Investment holding
Hsin Chong Development (Vietnam) Limited	Hong Kong	—	100%	HK\$2	Investment holding

## NOTES TO THE ACCOUNTS *(continued)*

### 31. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES *(continued)*

Company	Country of incorporation/ registration/ operation	The Group's effective interest in percentage of ordinary shares held by Company subsidiaries		Issued and paid up capital	Principal activities
Subsidiaries: (continued)					
Hsin Chong Environmental Engineering Company Limited	Hong Kong	—	100%	HK\$5,000,000	Environmental engineering
Hsin Chong (Foundations) Limited	Hong Kong	—	92.79%	HK\$6,500,000* HK\$652	Piling and foundation
Hsin Chong (Foundations) Asia Limited	Hong Kong	—	92.79%	HK\$1,304,000	Piling and foundation
# Hsin Chong Rocks Business Management and Consultancy (Beijing) Limited	People's Republic of China	—	90%	US\$166,700	Consultancy services in construction business
Hsin Chong Specialist Contractors Limited	Hong Kong	—	100%	HK\$1,000,000	Conversion, renovation and fitting-out
Insight One Investments Limited	British Virgin Islands	—	100%	US\$1	Investment holding
Linders View Limited	British Virgin Islands	—	92.79%	US\$652	Plant hiring
Quali A Trading and Engineering Company Limited	Hong Kong	—	100%	HK\$2,000,000	Trading and installation of building construction materials

## NOTES TO THE ACCOUNTS *(continued)*

### 31. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES *(continued)*

Company	Country of incorporation/ registration/ operation	The Group's effective interest in percentage of ordinary shares held by Company subsidiaries		Issued and paid up capital	Principal activities
Subsidiaries: (continued)					
Radiant Gold Limited	Hong Kong	—	85%	HK\$2	Property investment
Rife Yard Limited	Hong Kong	—	85%	HK\$1,000	Real estate development
Rocheland Company Limited	Hong Kong	—	100%	HK\$10,000	Investment holding
Techtrade Limited	British Virgin Islands	—	100%	US\$1	Investment holding
Wellhurst Company Limited	Hong Kong	—	100%	HK\$2	Investment holding
Yik Shing Limited	Hong Kong	—	100%	HK\$2	Investment holding
Hsin Chong — Taylor Woodrow Joint Venture No. 1	Hong Kong	—	60%	—	Building design and construction
Associated companies:					
Budi Ikhtiar Sdn. Bhd.	Malaysia	—	20%	MR18,000,000	Real estate development
Cheer Star Development Limited	Hong Kong	—	22.5%	HK\$10,000	Property investment
CS Management Services Limited	Hong Kong	—	22.5%	HK\$2	Hotel management services
Cotteen Investments Limited	Hong Kong	—	50%	HK\$100,000	Vessel holding and leasing

## NOTES TO THE ACCOUNTS *(continued)*

### 31. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES *(continued)*

Company	Country of incorporation/ registration/ operation	The Group's effective interest in percentage of ordinary shares held by Company subsidiaries		Issued and paid up capital	Principal activities
<b>Associated companies:</b> <i>(continued)</i>					
Globpac Development Limited	Hong Kong	—	25%	HK\$10,000	Real estate development
Goldian Limited	Hong Kong	—	25%	HK\$10,000	Investment holding
Hsin Chong Aster Building Services Limited	Hong Kong	—	50%	HK\$2,000,000(A) HK\$2,000,000(B)	Mechanical, electrical and building services
Hsin Chong Aster Building Services (Asia) Limited	Hong Kong	—	50%	HK\$2,000,000	Mechanical, electrical and building services
Hsin Chong Deson Construction Company Limited	Hong Kong	—	50%	HK\$500,000(A) HK\$500,000(B)	Building construction
Infinity Goal Limited	Hong Kong	—	30%	HK\$10,000	Real estate development
IT & T Builders Sdn. Bhd.	Malaysia	—	30%	MR1,000,000 MR1,000,000 <sup>A</sup>	Building construction
Rising Degree Limited	Hong Kong	—	29.28%	HK\$1,000,000	Real estate development
Topway Investments Limited	British Virgin Islands	—	33.33%	US\$6,000	Investment holding
Victory Guide Limited	Hong Kong	—	30%	HK\$10	Property investment

\* Non-voting deferred shares

<sup>Δ</sup> Preference shares

<sup>#</sup> Equity joint venture



## NOTES TO THE ACCOUNTS *(continued)*

### **32. PENDING LITIGATION**

A sub-contractor of a subsidiary of the Group has commenced legal proceedings, claiming a sum of HK\$33.3 million in respect of alleged contractual entitlements. The subsidiary has made counter claims against the sub-contractor in respect of alleged breaches of contractual obligations. The Directors anticipate that a commercial settlement will be achieved on terms which will not have an adverse effect on the financial position of the Group.

### **33. APPROVAL OF ACCOUNTS**

The accounts were approved by the board of directors on 9th July, 2001.